

Is A Major World War A Possibility? “Madness Can Never Be Excluded”. The Historical Antecedents

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Eight years ago, renowned economist and geopolitical analyst Frederic Clairmont, begs the question in lecture delivered in 2009 under the title Is A Major War A Possibility In 2009? The Historical Antecedents

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In these lectures I shall venture to answer some of the queries made regarding the prospects of a major war . The notes to these lectures were scribbled over time in the corner of the living room.

There are two large standing lamps that illuminate the copy book that I am using to scribble these lines. The thin light black pen is gliding effortlessly over the paper. It is one of my inseparable companions. It is Made in China as well as the copy book with squared paper.

One of my Associates raised the question the other night: is there any manufactured products that American capitalism can produce that China cannot produce better and in greater quantities and considerably cheaper?

This is not fanciful speculation. It therefore follows whether American capitalism in its current state of indebtedness, mass impoverishment and financial disintegration will be able to compete internationally. Or put it another way: how and by what means will it pay for its imports, for what it consumes? Will it be able - on present evidence it is not - to shave and ultimately to eliminate its trade deficit by exporting more than it imports? Further, can the dollar be an acceptable medium of payment and exchange given the battering to which it has been unrelentingly subjected for many years? The observation by Iran's Mahmoud Ahmadinejad that the Greenback is worth less than used toilet paper is ungracious, but it is shared by many leading spirits in the world of finance capitalism.

In subsequent lectures we shall explore the ramifications of these issues. Suffice it to say that it is a matter of life and death that takes us into the deepest reaches of the conflictual contradictions within world capitalism and the imperialist lethal that I have will give you more than an idea of what is meant when we say that China has become the industrial hub of our planet; as well as an idea of what we mean when we speak of financial imbalances. Of that more later.

The Ramifications

Some of you have evoked the possibility of a world conflict in the course of 2009.. I shan't say that this prediction is far-fetched; or remote. Doubtless, many of you do not mean a regional conflict as in Ossetia and Gaza . Nor do I exclude the possibility of the US / Israel on

Iran . In the making of war, madness can never be excluded. Let us keep in mind that the US caste oligarchy (USCO) and its trillion dollar militarist appendage is at war on several front in areas engulfing tens of thousands of kilometers: It is pursuing a war in Gaza via its surrogate; it is pursuing a war in Iraq; and of course it is escalating its military drive in Afghanistan; it has extended its killing fields to Pakistan. Recall that Pakistan has a frontier of 2,500 kms with Afghanistan .

Such a possibility cannot be ignored. How does one approach the subject? What is the most appropriate method? I am aware that itemizing the potential flashpoints gives us individual dots but the dots are not connected. They remain separate and cannot provide an insight of the detonator. I am sympathetic to your speculation. The historian must select his facts This is a matter of personal choice. But how and to what purpose he selects his facts stems from his principle of selectivity that is a part of a process of abstraction.

His selection and his interpretation of events are thereby conditioned by his ideological and philosophical predilections. His class affiliations. His personal experience. One may itemize a list but itemizing single events does not give us a handle to comprehend these complex phenomena.. The assassination of Kronprinz Franz Josef by a young Serb nationalist was certainly the detonator but it tells us very little without disentangling the complex of nationalist convulsions and economic and dynastic rivalries that shredded the vitals of the world economy. Nor can we ignore the military naval buildup of the German empire that challenged the centuries old supremacy of the Royal Navy. As David Lloyd George - the shrewdest of imperial artisans and a paramount Hatchet man the Great War noted : "if 1914 had not come when it did it would have inevitably come later". The key words are 'come later'. What Lloyd George had in mind was that the power politics of finance capitalism and imperialism, and the carnage it irrepressibly incubated, was inherent in the evolution of world capitalism given its ceaseless lunge for territorial and financial spheres of aggrandizement. And its wars were confirmatory.

The Arms Race.

Many of you have emphasized the fact that the USCO is likely to boost expenditures to offset the fall in demand in the private sector thereby raising the level of employment. It is not a new recipe but the thesis has a defect in the present context of international relations. The U S CO is already spending more than twice or three times what the rest of the world is spending on arms. SIPRI in Stockholm that you'll find on the Internet provides the exact numbers. But I am not momentarily concerned with such numbers.

The USCO and its military lackeys has been at war since 1945 non- stop. And that includes its role in the Chinese Civil War that ended in 1949, in Indochina since 1945, in Korea , in Iraq twice over.etc. Its colonial wars fought exclusively against peoples of colour have driven the US economy into a state of bankruptcy.

At the latest count, it has 250 military bases outside the United States . It is spending more than it earns. It is the world's biggest mendicant. It is spending other people's borrowed money. In Iraq alone, according to the figures of Stiglitz, the number is \$3.5 trillion and the wars are not yet over. In these wars it has slaughtered millions. It is fighting wars in Iraq , Afghanistan , Pakistan and Israel 's attack against Gaza , as in Lebanon , was inconceivable without US support. This is a banality. Let me say that the phosphor bombs used in Gaza were made in Virginia . The uranium enriched artillery shells were manufactured in Tennessee . The bombers were F-18's of American fabrication. Gaza was one more testing

ground for its weapons of mass slaughter. That makes four wars. Some are right to stress that wars, preparations of wars, boosts output and employment. What matters here is the nature of the output and its related employment impact. It is unproductive and does not add to productive capacity.

This was certainly the case of Hitler's Third Reich in which arms outlays provided a booster that eliminated the ranks of the jobless. And of course the jobless could always find jobs in the Wehrmacht subsequently transformed into cannon fodder. This was true of the U K from 1937 onwards. As you recognize the changes wrought by FDR's New Deal , admirable but illusory in several ways, did not curtail the Great Depression. What did the job was massive public sector war expenditures bankrolled by debt.

Let me repeat that what ended that satanic slump triggered in 29 was the advent of World War 2. Can it therefore be suggested that war and preparations for war offers a 'final solution' for achieving full employment? In the case of the US capitalism the answer is unequivocally no. War expenditures - bankrolled by foreign borrowing and ever swelling debt holes - sets the stage for endemic corruption, national indebtedness and bankruptcy and all its innumerable toxic corollaries. The debts of American capitalism - Federal, corporate and household - will never be repaid. They cannot be repaid. With the economy imploding daily USCO does not have the wherewithal to repay its debts. Frankenstein defaults are on the horizon.

One may contend that it raises the revenues of the arms producers. In what sectors is this true? In what individual enterprises does this hold? If you take pains to examine the share prices of all of the big arms producers i.e. Lockheed at the Standard & Poor's and the Dow Jones Industrial Average (DJIA) you'll find that their revenues and profits have tumbled as have their share prices .

Given the capital intensity of modern arms output the labour inputs required i.e. employment is sharply reduced. Productivity, (ratio of inputs to outputs) has risen sharply resulting in a cutback in labour requirements with collateral falls in wages. I believe you'll find that for the most part their balance sheets have been battered although perhaps not as bad as the financial sector .The conclusion appears obvious: stimulus plans, or pumping the prime as it was earlier called, will obviously not do the trick. I return again to the estimates of Stiglitz.

In Iraq alone, it is spending \$3.5 trillion. Where is the money coming from? By borrowing. As I said repeatedly in these lectures the world capitalist economy has entered into a deflationary stagnationary phase , or defstag as I've called it. The USCO is living off borrowed time and other people's borrowed money, a parasitical binge that is sustained by 70% of the world's savings, palpably unsustainable even over the short haul.

Israel and the Middle East .

I suspect that some are correct to surmise that Gaza is too small an area to be considered the likely detonator of a major world conflict. Size, however, is not the only benchmark. Serbia in 1914 was also a very exiguous geo-demographic area. But it provided the detonator and is therefore not the only factor in play; it is the larger forces that are set in motion. Gaza and Israel are segments of a .larger empire writhing in its final apoplexy. The goal of the US/Israeli onslaught is to obliterate Hamas as its onslaught in Lebanon was to eliminate the Hezbollah. They failed miserably. The citizens of the Zio-fascist state

applauded the rape of the Gazans. And here we come not to abstract forces but the role of individuals in history. Netanyahu an outright exponent of unrelenting Arab exterminism has succeeded in climbing the greasy pole of a state that itself is riven by ethnic and class divisions. .

His speech in Davos, like that of Olmert , is more than the howlings of a politico bent on the destruction of Arabs, and what his fascist cronies call Hamastan. His utterances, like that of Lieberman, could be translated into reality. Netanyahu/ Lieberman could demolish the entire Middle East and that includes the Hebrew sate. . And by that I mean it could lead to the unmaking of Mr. Obama and , I daresay , to his political destruction given the unquestioned reach of the Zionist lobbies. Mr. Obama is a fragile politician and the untamed capitalist convulsions, nationally and internationally, will shove him into raging cross currents.

We know who the Netanyahu/Lieberman duo is . There is nothing nebulous in their blueprint. "My highest priority" Netanyahu thunders "is Iran ". Need we say more? Has Obama plumbed the meaning of that statement? There is nothing cryptic about it. The duo's unrivaled standing in the Zionist lobbies and in the dominant spheres of the USCO the US is high. Hence we cannot ignore the possibility that in their desperation they could trigger a wider war. Such a course could not be confined to the region.

The goal of US imperialism, conflated with that of Israel , is the destruction of Iran , the ally of both Hamas and Hezbollah. This is not speculation. It is stated policy. The Iranian prime minister has pushed his pawns. The game has started. The launching of their satellite into space injects into our calculations new and terrible variables.

Can Israel reconcile itself to coexist with Hamas and an increasingly militant anti-American and anti-Zionist world? The change in tone of the Arab world seen in the unambiguous article of a member of the Saudi Royal family - and a powerful intellect - in The Financial Times - suggest a turning of the tide. The Arab street is a reality. It is angry and getting angrier with each passing day. It is unemployed. It is poverty stricken but Al Jazeera with a 140 million viewers reaches them. A stooge like Mahmoud Abbas is a ghost and his power is eviscerated. He too was in Davos and his speech like that of Karzai was written by his American touts. The Israeli leadership sounded out Bush (whose administration turned them down) for overflying Iraq to bomb Iran 's nuclear facilities.

It appeared in The New York Times. They were turned down by the Bush cabal not because of humanitarian reasons but because they understood for once the far-reaching consequences. You will also recall H. Clinton current mistress of State Department had the gall to proclaim that she would obliterate Iran during her electoral jousts. It is not the moment to discuss the implications of that projected genocidal act. The position of Bush and Obama on the attack against Iran are identical.

Iran has made it clear that it intends to pursue nuclear enrichment for civilian purposes and Russia will complete this year the building of the nuclear facility at Bukwear. In chess, it is not sufficient to decide what your is but to foresee that of your opponent . Let me proceed to a no less significant flashpoint. The relationship between China and the USA which have scaled new heights of trade tensions despite the mellifluous babbling to the contrary.. Protectionism or call it economic nationalism if you prefer in a multiplicity of guises is omnipresent. And that I shall deal with presently.

China and the US

Before I proceed, however, to examine whether mounting trade and payment tensions could lead to a deadly military confrontation we should remind ourselves of the nature of the trade rivalries and weapons deployed in those economic wars in the thirties. The speech of the Chinese president lambasting the United in Davos , as did Putin, is indicative of the drift of economic war. Davos is the pivot of globalization. It is the cockpit of corporate power, of world leaders and aspiring leaders. Davos underlined the penurious fragility of financial institutions once regarded as the bedrock of the system.

Words as stability and confidence have been wiped out from their slate. The debacle of U B S and of The City and the ongoing tremours in Wall Street , matched by such spectacular swindlers as Madoff and Stanford The anger can no longer be dissimulated nor more than it can be concealed in the mass labour demonstrations in Paris and all French cities and in the neo-colony of Guadeloupe. The tensions are mounting. They go beyond beggar-my-neighbour policies first created by Joan Robinson of Cambridge University in the thirties'.

No where was the nature of these conflicts more clearly delineated than by Sir Percy Bates, chairman of the Cunard Steamship Company (April 1935) at a moment when the Great Depression raged. Its relevance to our times is all too obvious:

“We are going through a war...The arms that are being employed are not battleships, armies, aircraft, but tariffs, quotas and currencies. No international monetary standard is recognized, and every time that a tariff, quota or a currency varies, one is confronted with a manoeuvre, a hostile manoeuvre, a war manoeuvre. The worst of all is the reluctance to admit officially the existence of a state of war.”

Capitalism as the present crisis lumbers on is no longer able clamber out of its defstag pit. A predicament that worsens by the hour. The war for world markets and market shares continues at an undiminished tempo. This is mirrored in the relative economic performance of the United States and China that has become the hub of world manufacturing. The USCO in contrast is caught in the throes of the dis-accumulation of capital and a rapidly wilting industrial base. As in the U K, its once mighty industrial base has been hollowed out. Let us cast a glance at these numbers to grasp their divergences and which highlights the tensions that could lead to war.

8. What the numbers say: These comparative figures are indicative. Recall that China has now shoved aside Germany in world GDP rating tables to become the third world largest country. Preceded by Japan and the USA . With the crumbling of indebted Japanese capitalism hovering at zero growth rates it is set to shovel Japan into the backwaters of history. Let us deal first with some of the major indicators (2008) of the USA and compare them with China :

USA : G D P (0.9%); Trade Balance (-\$833bn); Current Account Balance (-\$697bn); Industrial production (-7.8%)

CHINA : GDP (9.1%) ; T B (+ \$295BN); C A B (\$371bn.);+ I P (5.7%)

These numbers highlight their mounting economic disparities. I must confess at this point that I am not sure that in the near future the abyss will ever be bridged Let us focus simply on the foreign trade sector. U S. imports are growing faster than its exports. The US

capitalism is in a downward deflationary spiral that bears similarities with Japan 's so-called 'lost decade' in the 1980s.. True, China 's growth is adversely affected by the world slump, but it is growing several times faster than the US . Compound growth rates are at once constructive and destructive forces . This is a point you'll recall that I noted in my discussion of the US balance of payments in my book on Cuba and I would suggest that you consult that section again. The ratio of its imports to its exports is about 1:5

That gap is unbridgeable.. Hence the USCO must borrow to finance its imports. Borrowing is debt. And debt must be repaid at compound interest rates or defaulted.. China recycles its trade surplus by buying US securities and Treasury bonds. This is a familiar story. Whether the Chinese political elite will continue to recycle their foreign exchange earnings to prop up US deficits remains problematical.

American capitalism has been the world';s biggest debtor for more than two decades. Its biggest lender is China . The size of the figures are important. China 's almost \$2,000 bn in foreign exchange reserves are the world's largest. Much of these reserves are being directed to the purchase of U S Treasuries. ` According to the estimates of Brad Selser the real figure is nearer \$2,300bn.. or equivalent to \$1,600 for every Chinese citizen.

Of this sum about \$1,700bn is invested in dollar assets, making China the biggest creditor of American capitalism and the single largest purchaser of US Treasury bonds. It is entirely addicted and dependent on Chinese money. Never in its history has the USCO been so dependent on any foreign creditor. The opposition within the leading echelons of China's power elite are aware that such massive capital flows going to a stricken economy, that is in the throes of an ever deepening crisis and with low-yielding dollar assets, is perilous. China has already lost billions And this is so given the depreciating dollar stemming from its rising level of indebtedness, low savings, zero interest rates and a GDP that hovers around zero . Without this avalanche of Chinese money the USCO would not be able to pursue its militarist expansion abroad.

But what we can say is that the dollar's status as the world's reserve currency which has conferred extravagant power (that was the designation of de Gaulle on US imperialism can obviously not endure. Chinese misgivings are present but they have made a pact with the devil and can do little to alter this state of affairs. "Except for US Treasuries what can you hold" asks Luo Ping, a director-general at the China Banking Regulatory Commission. "You don't hold Japanese government bonds or UK bonds. US Treasuries are the safe haven. For everyone, including China , it is the only option". This in my view is the tragedy of China 's power elite presiding over a capitalist economy that has shed all pretences of being socialist.

It is deliberate policy choice that reveals its class and ideological alignments. They have already paid a terrible price for such a policy choice of being the savior and supreme benefactor of American capitalism. . With capitalism's crisis now howling in its agony and the dollar's continued slide the costs to the Chinese workers and peasants that the Chinese elite have long ceased to represent the losses to China rise to even greater heights. To put it in non-technical jargon the masters of China 's money box has so much money that it does not know where to invest that money save in wretchedly low yielding US Treasuries.

The battle over exchange rates is fought on the killing fields of foreign exchange markets.

The Big Mac Index

To understand, in my view why there can be no amicable resolution of the Sino-American trade war and rivalry it is well that we should say a few words on the nature of foreign exchange markets. That is where money is bought and sold and is the object of ferocious speculation on international markets. Money we must not forget is the commodity of commodities . It is the King of commodities. The market on which these money transactions are carried out is the Forex market.

In a very illuminating but non-technical language we perceive that the index of The Economist is based on the idea of purchasing power parity (PPP). This says that currencies should trade at a rate that makes the price of goods the same in all countries. The Big Mac that costs \$3.54 in the USA becomes the benchmark for evaluating whether another currency is under-valued or over-valued.

In China , the price of the Big Mac is \$1.83. Thus it is 40% cheaper. In Switzerland (we use foreign exchange rates prevailing on a specific date) \$5.75 i.e. it is 60% higher. This is the crude test of undervaluation or overvaluation. Hence the conclusion we draw - (and I repeat that this is not only the basis of comparison for measuring foreign exchange disparities but it is certainly the simplest and the most ingenious) is that China's Renminbi or Yuan is 40% higher than the Greenback which gives supposedly gives it an export trade advantage by the calculus of the US Treasury .The U S government has already imposed tariffs on China, and accuses it of currency manipulation. A charge that we hear with a grain of salt given the fact that US government and all its works has never been a custodian of morality. .

The problem of China 's competitive advantage goes of course beyond foreign exchange rates . Comparative wage labour rates are no less important. China 's wage rate in manufacturing is 10% that of the US rate. But we are not only dealing with a disparity in labour costs. Let us add that China 's industrial productivity has been remarkable .

China as you are aware is present in all world markets and its foreign trade and direct investment has rocketed in the last decade strikingly so in Latin America and Africa, Australia all Asian markets ,not to speak of Russia . A single example clinches what I am saying. The Chinese/Venezuelan economic development fund will now double from \$6bn to \$12bn in just over a year. The role of the USCO, the European Union and Japan are of peripheral importance in Venezuela . The conquest of world markets and market share is continuing at unstoppable speeds. The leading ten capitalist countries are already in recession. Let there be no ambiguity on this score. The goal of China 's policy makers and their capitalists is market aggrandizement .

Dynamics of Overproduction .

One of the traits of the current defstag, and I don't exaggerate when I use that word, means that there are too many goods chasing too few buyers, too much money chasing too few profitable investment outlays, too many workers chasing too few jobs; too many banks chasing too few impoverished savers and depositors. etc. This is true not only of capitalism's current cyclical slump but applies to all facets of the crisis. The essence of the crisis of capitalism is overproduction. Or over-accumulation.

What is overproduction? What are its properties? At what stage in the cycle of capital-accumulation does it emerge? What is its cyclical duration? What is its role in capitalism's

business cycle? Milton Friedman , one of the major propagandists of free market fundamentalism and a vulgar apologist of capitalism , put this succinctly when he shoved aside the nostrum of social responsibility on the part of the capitalist: “ a company’s only responsibility is to increase profits for shareholders”. Capitalism defines the relationship between a possessing / exploiting class whose incomes are profits, dividends and rents, and an exploited propertyless class whose income is wages.

It defines the relationship between the oppressor and the oppressed. Hence capitalism’s overriding objective, its alpha and omega, and the masters of capital is not the provision of goods and services to the workers it exploits. That is a surface phenomenon. That is a fetishism. The goal of capital accumulation is to expand and ensure an ever rising mass of profits for a class of propertied owners. The overriding goal is profit and profit maximization. Overproduction is thus not an aberration of the system but inherent in its operation. And this goes back to the beginnings of capitalism’s first Great Depression of 1873, as noted by the Royal Commissioners in their final report. in words that are superbly relevant to the crash of 1929 and our present slump.:

“We think that...over-production has been one of the most prominent features of the course of trade during recent years; and that the depression under which we are now suffering may be partially explained by this fact....The remarkable feature of the present situation, and that which in our opinion distinguishes it from all previous periods of depression, is the length of time during which this over-production has continued ...We are satisfied that in recent years, and more particularly in the years during which the depression of trade has prevailed , the production of commodities generally, and the accumulation of capital in this country, have been proceeding at a rate more rapid than the increase of population.”

The insight of these findings underscore not merely the nature , genesis and rationale of the business cycle that we shall explore in subsequent lectures , but its relevance and kinship to other great depressions that have devastated world capitalism such as the Great Depression of 1929 and the current economic depression we are now traversing. What it is important to recall are the consequences of that great depression that lasted , with its rises and falls, until the start of the 1890s.

The Emergence of Monopoly and Its Implications

Capitalism and its class rule is a system driven by competition. This is true at all phases of its growth. The period from 1873 to 1914 that ushered in the great carnage saw the structural changes in capitalism from its competitive to monopolistic phase. Competition kills competition. Or , as Marx would have said, one capitalist kills another capitalist. The Great Depression gave a spur to the concentration and centralization of capital that Marx had analyzed with such trenchancy. It saw the rise of the Trust and the Cartels. The names of Rockefeller, Buchanan – the tobacco king, Krupp, Vanderbilt , Morgan, Carnegie epitomized the face of capital.

These were not simply what President Theodore Roosevelt called ‘the malefactors of Great Wealth’. This was the new phase of monopolistic capitalism stemming from accelerated competition within and between nation states , and the falling rate of profit. More and more competition led to excess capacity and its corollary cut-throat prices, a drop in wholesale and retail prices descriptive of the deflationary stage. This opened the belligerent quest for privileged spheres of investment and foreign trade. Monopolistic capitalism fuelled the drive to imperialism.

The period opened the floodgates to what George Bernard Shaw called ,at the time of the Boer War, the age of The Merchants of Death. You will recall what President Eisenhower in his Farewell address called the Military/Industrial Complex. and what generated an enormous body of literature. The formulas was novel but its substance was not.. The reality of this phenomenon was vigorously present in its concentrated form in the decades leading up to the Great War. Arms manufacturers as Krupp and Siemens and Mercedes Benz in Germany , Vickers-Armstrong and Rolls Royce in the U K , Creusot-Schneider in France and Mitsubishi in Japan symbolized the linkages of the Merchants of Death and State Power. Almost 70% of all the artillery pieces and shells used by the Kaiser's army, not to speak of the steel that went to the massive build up of the German Navy since 1890, were produced by Krupp. The House of Krupp became enmeshed with the Hohenzollerns through ties of marriage. Such was the muscle of imperialist matrimonial interconnectivity.

Drive to Colonial Expansion

I have explored this process in much greater detail in my work on The Rise and Fall of Economic Liberalism. During the 1870s and 1880s and after five million square miles of African territory, with populations exceeding 60 millions were grabbed and subjected to European imperial rule. In Asia ,during the same decade, the U K annexed Burma and brought under its control the Malay peninsula and Baluchistan . France began the breakup of China by annexing Annam and Tonkin . The industrial tycoon and parliamentarian, Joseph Chamberlain called for protectionism at home as well as "to create new markets " abroad. He raised his glass to the simultaneous toast of: "Commerce and Empire, because, gentlemen, the Empire, to parody a celebrated expression is Commerce." This is the meshing of Big Capital and Big bourgeois politics. The battles of imperialism were leading to conflict and war. Chamberlain again in a speech before the Birmingham Chamber of Commerce in 1896 he noted:

"If we had remained passive ...the largest part of the African continent would have remained occupied by our commercial rivals...Through our colonial policy as soon as we acquire and develop a territory, we develop it as the agents of civilization, for the growth of world trade".

Note the terminology. The rape and pillage of Africa and colonial conquests were rationalized in the name of civilization or 'la mission civilisatrice ' and the French called it. For the colonizers and the colonized words have different meanings or as Ho Chi Minh (1890-1969) declared: "you can always spit in the face of the colonialists and they'll call it rain." Imperialism has pursued its policies using the same labels in the ensuing decades. In our time the US conquest of Afghanistan is labeled 'Enduring Freedom'.

What we witnessed at the end of the 19th century was the expansion and clash of national capitalisms. This is how it was propounded by Cecil Rhodes, one of the leading architects of British imperialism in Africa :

"I was in the East End of London yesterday and attended a meeting of the unemployed. I listened to the wild speeches, which were just a cry for 'bread', 'bread', and on my way home I pondered over the scene and became more than ever convinced of the importance of imperialism...My cherished idea is a solution for the social problem ,i.e., in order to save the 40 million inhabitants of the United Kingdom from a bloody civil war, we colonial statesmen must acquire new lands for settling the surplus population, to provide new market

for the goods produced in the factories and the mines. The Empire, as I have always said, is a bread and butter question. If you want to avoid civil war, you must become imperialists.”

By ‘ solution’ of the civil war he meant the class war between capitalists and workers, the exploiters and the exploited spawning socialist revolutions. Cecil Rhodes (1853-1902) incarnated the racist and expansionist thrusts of imperial conquest as well as the interdependence of the State and British capitalism. By its very essence imperialism was the quintessence of racialism.

“ We must find new lands from which we can easily obtain raw materials and at the same time exploit the slave(sic) labour that is available from the natives of the colonies. I contend that we are the first race in the world , and that the more of the world we inhabit the better it is for the human race... If there be a God, I think that what he would like me to do is paint as much of the map of Africa British Red as possible.”

Let me add as a footnote that the statement was made in 1896 , the same year that the Durand Line was drawn by the British Raj that demarcated the 2,300 kms frontier of British India [now Pakistan] and Afghanistan . Political power and colonial conquest moved in easy concert. Rhodes was Prime Minister of the Cape colony, and Managing Director of the British South Africa Company. A reportage of The Times noted that there was hardly a single member of Parliament that were not stockholders in his company. Nor is this surprising given the congenial rapport between the political elite and the business elite and the luscious pickings that were available. It was the interconnectivity of one hand scratching another. He had become one of the biggest tycoons of all times, with Chamberlain one of his most powerful political backers. . He was the founder of De Beers (backed with the funds of Lord Rothschild) which, at its zenith, marketed around 90% of the world’s rough diamonds.

Success depended on ‘law and order’ and on ‘slave labour, ’ as he called it, that marched hand in hand with the mass expropriation of African land A process that had the legal backing of the Glen Grey Act of which understandably he was one of the drafters. Indeed, in the imperial order of things the borderline between slave labour and free labour was always fuzzy, point that Rhodes readily grasped. The expansionist drives of Rhodes and his cronies in the Colonial Office was the major catalyst of the Boer War (1899-1902).

Historical processes cannot be abstracted from the role of the individual in history and its major actors. It’s for this reason that I have singled merely the British Empire and three of its major statesmen: Cecil Rhodes, Joseph Chamberlain (1836-1914) and Lloyd George (1862-1945) in the shaping of British imperialism, one of the most obnoxious and criminal constructs of all times, that incubated, with its other imperial accomplices, the Holocaust that was the Great War.

Suffice it to say that imperialism and all of its projects, designs and expansionists blueprints were inseparable from racial oppression. And indeed many of you will recall the Nazi-like branding of the Chinese people by Lord Curzon (1912) as “a moribund and decadent race”. That coming from a country that imposed the Opium trade on the quasi-colonial Chinese empire. Imperialism was the Godfather of imperialism and you have not forgotten Hitler’s great admiration for British rule in India articulated once again the eve of his war against the Soviet Union .. “The Soviet Union ”, he declared,. “will become our India ”.

The trio exhibited par excellence the meshing of business, politics and the imperial drive for conquests. Chamberlain's family was the founder of one of the largest machine tool factories in the U K producing around 75% of the country's metallic screws. As the master of the Colonial Office, which opened up for him the mightiest of personal El Dorado's, he used his portfolio to push British business interests into every corner of the planet and that of course embraced his firm's products. This was the perfect example of the case of State power being dovetailed to interests of individual capitalists.

Chamberlain was an intimate friend and business associate of Rhodes and hence their uninhibited racialism ran on parallel lines conferring an ideological coherence to the British ruling class. This reminds me of a portrait I saw a long time ago in the National Gallery that showed Queen Victoria presenting a bible to a kneeling half-naked African chief. The lashes of imperial rule were supposedly mitigated by the balms of Christianity. As George Bernard Shaw once said, colonialists picked the pockets of the Blacks, gave them a few rags to cover their nakedness, and then sent missionaries to reduce them to Christianity.

"I believe that the British race" Chamberlain boasted, "is the greatest of the governing races that the world has ever seen...It is not enough to occupy great spaces unless you can make the best of them. It is the duty of the landlord to develop his estate." The inference was all too apparent: since the British Empire was the world's biggest landlord it required the cheap undifferentiated labour of its colonial subjects to work for the prosperity and profits of the superior race of white masters.

His fanatic pursuit to intensify the exploitation of Africa (and Asia as well) , earned him the sobriquet of Joseph Africanus. The promise of the superior imperial race that the untrammled rape of the colonial peoples would, - the mechanism of how this was to be achieved was never spelt out - trickle down to British working peoples proved to be one of the supreme hoaxes in the history of British capitalism.

To be sure, the mega-profits gouged from subsistence labour power was 'mouth-watering' as many apparatchiks of the Colonial Office boasted, but few were the crumbs that drifted into the bellies of the British workers. Writing in his War Memoirs (Vol.1 1933), at the apex of another great economic collapse, Lloyd George found no need for persiflage glimpsed in his depiction of the phony 'social peace' of the Edwardian epoch.

"It was becoming evident to discerning eyes that the Party and the Parliamentary system were unequal to the task of coping with grave issues rapidly becoming graver...The shadow of unemployment was rising ominously above the horizon. Our international rivals were forging ahead at a great rate and jeopardizing our hold on the markets of the world. There was an arrest of that expansion of our trade of an earlier epoch...our working population, crushed into dingy and mean streets with no assurance that they would not be deprived of their daily bread by ill-health or trade fluctuations, were becoming sullen with discontent."

What is this last sentence other than the unacknowledged lingo of the class war.? Lloyd George was never a radical. Despite his anodyne welfare state reforms(based on the Bismarck lan model) that even earned him the plaudits of the Kaiser he was wedded, like the vicious anti-labour repressonists of the German ruling class, to the perpetuation of the existing social property order, the arms race and imperialist expansion abroad. He became one of the most virulent proponents of empire matched by his no less vociferous support for

the Great War.

Lloyd George, a tireless war monger, not only fanned the flames of war, but was one of the most unbendable advocates (like his close crony Winston Churchill) of military intervention (1918-21) of the Russian revolution. Which true to form he caricatured as 'the greatest scourge that has ever afflicted humanity'. We are not concerned to examine the sheer stupidity of that utterance but merely to remark that it came from a paramount politico that was one of the leading criminal instigators that engineered the grimmest mass slaughter that humanity had ever witnessed. A remark emanating from a criminal who according to the diary of his wife "who insisted on reserving the right, as David puts it, to bomb niggers." [1]

In large measure a war against an emergent state that unique among members of the Second International (1889-1916) that opposed the war and whose rallying cry was : Bread and Peace. A ruthless war of intervention (a term coined by the British Foreign Office) that cost millions of lives (in addition to that of Great War) with famines and its horrendous political sequels. The British government, and recall that he was Prime Minister, bankrolled 70% of the cost of this intervention.

His blood gurgling cry: "kill them, ill them now" was symptomatic not merely of the man and his class but of the direction of imperialism." "I shall always remain an implacable enemy of the Bolsheviks up to the end of my life" A promise kept but which , not surprisingly, finds no mention in his War Memoirs.

The wars for conquest of world markets and their repercussions were stated with terrible clarity by The Saturday Review (1897) premonitory of things to come,. tantamount to a declaration of war. It took economic and political analysis one giant step forward in contrast to the hollowed out constructs of Marshalian economics and the waffling of Fabian thinking:

"Is there a mine to exploit, a railway to build, a native to be converted from breadfruit to tinned meat the German and the Englishman are struggling to be first. A million petty disputes build-up the greater cause of war the world has ever seen. If Germany were extinguished tomorrow, the day after tomorrow there is not an Englishman in the world who would not be richer. Nations have fought for years over a city or a right of succession; must they not fight for two hundred and fifty million pounds sterling of yearly commerce"?

Prophetic it was and indeed just 17 years, and 40 million butchered, were needed to test the validity of this blood-drenched belligerent utterance. Within the land of The Saturday Review , whose cataclysmic outcome was utterly inconceivable, 6 million out of 10 million were conscripted; around 750,000 killed; 1.7 million wounded; 160,000 wives lost their husbands; 300,000 children lost their fathers. On the ideological front The Great War had wiped out the vestiges of laissez-faire and economic liberalism.

The Encroaching Net

The headlong drive that pushed the European powers to imperialist conquests was no less true for the United States and Japan . Imperialism is therefore the ultimate globalization of capital accumulation on a world scale in its moment of crisis and upheaval. Since the Meiji Restoration (1868), indeed in just three decades, Japanese capitalism had surged at a dazzling tempo into a vigorous industrial and world trading nation unrelentingly pursuing

overseas expansion and colonial conquests. In Japan , the big trading corporations such as Mitsubishi, Mitsui, Itoh, Marubeni, Sumitomo and others, collectively known as the Zaibatsus, with their trading arms the Soga Shoshas, were metamorphosed into the leading echelons of Japanese imperialism.

Together with the military (the gumbatsu) they became the spearhead of colonial expansion with the occupation of Formosa that plunged Japan into the orbit of imperialism. In 1895, this was followed by the conquest of Korea and the invasion of southern Manchuria . The stage was set for yet another imperialist war between Czarist Russia and Japan , culminating in Russia 's crushing defeat in 1905 in the Battle of Tsushima Bay and the grabbing of Sakhalin . We might add in parenthesis that this defeat spawned the Russian Revolution (1905), that shaped subsequent events. Historically significant, as you observe, was the bunching of events. The re-division of colonies, quasi-colonies and spheres of influence were now being settled by wars of ballooning intensity.

A mightier but still embryonic imperial force had now staked its claims to the cornucopia of empire. "This is our Manifest Destiny", boasted Theodore Roosevelt. "We are now a world power and the glory of our race and nation have not reached the end of our road, and we must push on". The effete and inglorious Spanish Empire , that had endured for 500 years , was busted in 1898 - a venture completed in a couple of weeks - with the grabbing of its colonies, notably its crown jewels Cuba and the Philippines. This marked a further phase in the re-division of the world market that brought the approaching Armageddon one step closer.

The Versailles Treaty

The end of the Great War was not the "war to end all wars" as Woodrow Wilson fatuously declared. The yearnings of a return to an imagined normality by *laissez faire* nostalgics were dashed. It signaled not the end of imperialism but its escalation to yet higher and more destructive phases with Fascism its most racist and politico-economic format. After Versailles (1919) the world map was given the chop.. The Habsburgs, the Romanovs, the Hohenzollerns and the Ottomans were bulldozed into the ditch of history. Germany was now a vanquished nation stripped of Alsace Lorraine and its colonies. Of crucial militaro/industrial strategic importance , however, was that the unreconstructed bureaucracy, its financial and militarist establishment and the powerful national bourgeoisie - the central components of class rule - were still intact.

A revolutionary Russia , whose leadership had resolutely opposed the war turned the war into a battering ram for an assault on the Tsarist autocracy. In so doing, it severed its links with imperialism and the national chauvinism of social democracy and oriented its thrust to the building of a socialist order , and the obliteration of the colonial/capitalist/ imperialist survivals. Clemenceau encapsulated the tragic moment of truth when he lugubriously confessed: "We have won the war but we are broke." The older surviving colonial empires , France and the U K, were bled white thrashing on the brink of financial bankruptcy. Their foreign exchange and gold reserves were deployed to pay for the war. In addition they were now confronted with rising labour agitation on the domestic front , and sustained mass rebellions in India and Indochina , their two greatest colonial crown jewels.

Thorstein Veblen and John Maynard Keynes .

Lloyd George may not have said that "we shall squeeze the German lemon until the pips

squeak” but what he did say was similar to what ‘Tiger’ Clemenceau was thinking: “We must have the uttermost farthing, and we shall search their pockets for it.” The question of reparations to be gouged from Weimar Germany was one of the burning issues of international relations and imperialist bickering. It was here that John Maynard Keynes (1883-1946) acquired international celebrity by his opposition to the provisions of the Treaty in *The Economic Consequences of the Peace* (1919) that focused on the implications of reparations.

I shall deal at this point with one of the most effective counterblasts to J M Ks pamphlet that came from an American academic whose very short book review appeared in an obscure American publication in 1920. In but three pages Thorstein Veblen (1857-1929) hammered home the point that J M K (who participated at the Paris Conference as a member of the British delegation) had sedulously avoided the central issue of the Treaty.

Before I proceed, however, let me add that Veblen was an acute theorist and observer of American capitalism during the Gilded Age of the Robber Barons (1890-1914). At no point however was he an active adversary of the system. He never believed that an alternative project in class and property relations was feasible. In that sense, he was never a radical. Nor did he condemn the rapacities of the American empire notably those committed by such colonial-predator politicians as Theodore Roosevelt and Woodrow Wilson in the Americas. Nor did he support the struggle for the emancipation of the American negro as the militant young scholar Du Bois was doing.

Nor for that matter did he publicly manifest any sympathies for the American socialist movement under the leadership of Eugene Debs. He was a rebel to be sure. What I have said is not to demean his stature as a thinker and his contribution to American letters and economics. The Great War, as with many others, pushed him into a sharper and more questioning mode of thought, and the same was true of Keynes. It was a catalyst that occurred in the autumn of his life. In that review published in *The Political Science Quarterly* (1920), a year after the publication of J M Ks pamphlet, he luminously saw what was the reality that the Treaty had concealed that Keynes had ignored. It was an inspired piece of criticism drafted at a moment when the corrupt and war enriched USCO had plunged into the apoplexy of anti-progressive and anti-Bolshevik hysteria.

In his impressionistic overview *The Treaty* (which he always capitalized) was the antithesis of democracy and nothing more than a screen of ‘diplomatic verbiage’ It brings to mind Jacques Attali’s description of the Davos World Economic Forum as ‘le bavardage’. Behind the ‘verbiage’ however was the unseen butcher’s knife of the imperialist victors. It was the screen alright in what Veblen called sarcastically ‘the Elder Statesmen of the Great Powers’ who, in his view, continued “their pursuit of political chicanery and imperialist aggrandizement”. In so doing, Veblen brought imperialism’s reality into the epicenter of international relations.

The onus of Keynes’s criticism was *The Treaty*’s adverse contractionary impact on Germany’s output, employment and consumers’ effective demand. This in Veblen view was the shadow and not the substance. It ignored the far wider geo-strategic and political and ideological consequences that were in play. By the spring of 1919, when *The Treaty* negotiations had struck their grand climacteric, the War of Intervention to destroy the Russian revolution was also at its highest pitch. The Bolsheviks were battling the armies of 21 nations in addition to the white forces led by Generals Kolchak (1874-1920), Wrangel (1878-1928), Kornilov (1870-1918), Denikin (1872-1947).

Veblen made the incisive point that revealed the cutting-edge of his reasoning. "But for all their vulpine secrecy, the temper and purpose of that hidden conclave of political hucksters were already becoming evident to outsiders a year ago...The Treaty is therefore designed to indicate that the most binding provision of The Treaty (and of The League) is an unrecorded clause by the governments of the great powers that are banded together for the suppression of Soviet Russia..." Note his stylistic mutation. No longer are they referred to deferentially as The Elder Statesmen but as a bunch of hucksters.

Such a forthright analysis required a great deal of moral fortitude at a time when more than nine-tenths of American academics were quivering in their cloisters , hunkered down under the whip lash of a brutal police state in everything but name. Veblen was one of the very rare voices, another was Lincoln Steffens, who saw the onslaughts against the emergent socialist country as one of the greatest mistakes and injustices of all times. Central to his critique was that Keynes was blinkered in failing to perceive that the Conclave's goal was the destruction of Bolshevism that shaped the design of The Treaty. Anti-Bolshevism and the preservation of the status quo ante was the cementing force that united Wilson, Clemenceau and Lloyd George. Orlando, the Italian, had been shunted off to the sidelines with Lloyd George derisively depicting him as "as a morsel of mouldy spaghetti."

In demolishing the constructs of Keynes , a life long anti-Soviet and anti-communist, Veblen did not fail to draw the inference that the Bolshevik/ imperialist confrontation had now become a war to the death. It therefore followed, then, "that Bolshevism is a menace to absentee ownership. At the same time, the present economic and social order rests on absentee ownership." Absentee ownership was nothing more than a euphemism to describe the capitalist mode of production, distribution and exchange. He also saw that Keynes had deliberately omitted the central role assigned to a resurgent Germany as the battering ram of the counter-revolution.

Veblen was of course wrong in stating that 'the hucksters' were waging a surreptitious war against a resurgent Russia . By the end of 1917, it was a covert war deploying vast armies. The Whites were even contemptuously labeled by Lloyd George, Churchill, the Foreign office as 'our mercenaries'. Bolshevism and the revolutionary labour movements that surfaced during the Second International (1889-1916) were not historic aberrations. They were the outgrowths of capitalism's convulsions and crises.

Veblen was surely not oblivious that Rosa Luxembourg (1871-1919) and Karl Liebknecht (1871-1919), the two legendary German social democrats were hostile to the war for which they paid the ultimate price. They were arrested and murdered by right wing militarists of the Reichswehr. As was the German social democratic leader Leo Jogiches (1867-1919). The year 1919 is a pivotal year in the history of social democracy, The Treaty and imperialism.

It was the end of an ignoble chapter in the history of social democracy battered in a sea of social chauvinism and opportunism. And the opening chapter of Fascism as the savior of Big Capital and the established order. Soviet Russia, soon to be re-baptized the Soviet Union, and Germany had now become the pivotal actors in the historic drama now unfolding : the former casting its revolutionary reach across the planet; the latter the chosen bulwark of counter-revolution.

In Adolf Hitler and the Nazi party, what Veblen's 'hucksters' of Versailles were seeking had made its appearance as a benediction. In 1932, the Fuhrer addressing his S S Praetorian Guard roared that "the streets of our country are in turmoil. The universities are filled with

students and rioting. Communists are seeking to destroy our country. The Soviet Union is threatening us with her might and the republic is in danger. Yes, danger from within and without. We need law and order.”[2] This was Veblen’s vision but he did not live to see its purgatorial crystallization.

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